

A STUDY ON THE CUSTOMER SATISFACTION TOWARDS ONLINE SHOPPING IN CHENNAI CITY

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ABSTRACT

This study titled “A Study on Customer Satisfaction towards Online Shopping in Chennai City” has been undertaken to understand the factors influencing customers’ online shopping decisions and how these factors affect customer satisfaction. Descriptive Research Design has been used for this study.

A well-structured questionnaire was designed and administered to collect samples across Chennai. Due to the need for a variety of respondents who have had previous experience with online shopping, judgment sampling technique was chosen. The study has been undertaken with reference to a sample size of 105 respondents. After collecting the data, the data was classified, tabulated and codified. Necessary statistical tools such as Percentage Analysis and Chi Square tests have been used to interpret the data.

The results of this study may be of great use to businesses which are looking to expand into or venture into the online shopping environment.

KEYWORDS: Online Shopping, Retail, E-Tailers, FDI

INTRODUCTION

Background of the Online Shopping Industry in India

Competing in a high-pressure business scenario has become a challenge for retailers. As an effective alternative sales channel sellers are looking at the internet, which gives them direct access to target customers. Online retailing (also known as e-tail) is a web-enabled interface between a retailer and its target consumers for selling products and services on the web with the facility of ecommerce. These kinds of retailers are also known as e-tailers. Almost all big retailers are now electronically present on the World Wide Web.

The online shopping environment has gone through a lot of transformation and today it is still developing in a much diversified way. It has become very popular in the areas of apparel, arts and handicrafts, books, car rentals, computers and electronics, cosmetics, financial services, gifts and novelties, etc.

Some of the major advantages of e-retailing which makes it popular among the retailers are: low investment cost, direct access to target customers, quick return on investment

This kind of retail format helps the retailers to serve their customer quickly and more efficiently by offering them a detailed portfolio of products and services. On the other hand, availability of the point of transaction data helps the retailers to analyze and interpret their target customers. It has become the most efficient way to offer valuable information to the customers like discounts, promotions, new and existing products as per the customer requirements and past shopping

behavior. Availability of plenty of information about the products has increased the confidence level among the consumers.

The increasing purchasing power of the Indian customers is set to bring online shopping boom in India. One of the latest additions to online retail is advertising through social media websites like Facebook, Twitter, Google+, etc. Apart from website technologies, retail leaders are trying to adopt video, mobile and social media strategies with a view to provide richer, more engaging and user friendly experience.

After bringing revolution in the metro cities, online retailing is set to create sensation even in the rural areas. Furthermore, with the opening up of the Indian economy in relation to change in the FDI strategies, it is a wake-up call for retailers that have done too little to develop an online strategy as retail giants like Tesco, and Amazon have already started actions and strategy implementation in the Indian retail market.

ONLINE CONSUMER BUYING BEHAVIOR

Everybody in the world is the consumer. Each of us buys and sells or consumes goods and services in life. Consumer behavior is very complex and is determined to a large extent by social and psychological factors. Consumer behavior can be defined as those acts of individuals directly involved in obtaining, using and disposing of economic goods and services.

The relevance and importance of understanding consumer behavior is rooted in modern marketing. The needs of not even two consumers are the same. Therefore they buy only those products and services which satisfy their wants and desires. To survive in the market, a firm has to be constantly innovating and understanding the latest consumer needs and tastes. It will be extremely useful in exploiting marketing opportunities and in meeting the challenges that the Indian market offers.

Online consumer behavior parallels that of offline consumer behavior with some obvious differences. The stages of the consumer decision process are basically the same whether the consumer is online or offline. But the general model of consumer behavior needs modification to take into account new factors. In the online model, web site features along with consumer skills, product characteristics, attitudes towards online purchasing and perceptions about control over the Web environment play a vital role. There are parallels in the analog world, where it is well known that consumer behavior can be influenced by store design, and that understanding the precise movements of consumers through a physical store can enhance sales if goods and promotions are arranged along the most likely consumer tracks.

Consumer skills refer to the knowledge that consumer has about how to conduct online transactions. Product characteristics refer to the fact that some products can be easily described, packaged and shipped over the Internet whereas others cannot. Combined with traditional factors such as brand, advertising and firm capabilities, these factors lead to specific attitudes about online shopping.

Consumer behavior regarding the use of internet for shopping varies. Some consumers either lack access or resist using this new channel of distribution, primarily due to privacy and security concerns. Other shoppers choose to browse the Web so as to gather information and then visit the stores to negotiate the purchase face to face with the retailer. Few shoppers visit retail stores first and then buy from an e-tailer. Still others do all the shopping online: gathering information, negotiating, purchasing and either arranging for delivery or picking up the merchandise in the store.

It takes time for individuals to build up confidence to shop online. Initially shoppers may restrict themselves to searching for information or using e-mail. As their confidence grows their use of the Internet for purchase is likely to increase with a move to higher value items and more frequent purchases.

Scope of the Study

The increasing reach of the Internet and internet savvies among customers has resulted in more and more retailers providing online avenues for customers to make purchases at the click of the mouse. Customers not only use the internet to make purchases but also to search for information about the product or service being purchased. Internet has changed the way of conducting business. Many businesses have started building up their strategies around the internet.

If E-Marketers analyze and understand the factors influencing Indian customers' online behavior, they can further fine-tune their business strategies towards customer preferences.

This study deals with the customers' perceptions towards the following aspects of online shopping and how the presence or lack of these aspects in an online shopping environment affects customer satisfaction.

- Product categories that customers purchase online
- Quality & availability of the product
- Mode and Speed of delivery of the product
- Product price / Offers provided for online shoppers
- Payment options available for the customers
- Shipping, Return and Exchange policies
- Features of the shopping website such as
 - Design
 - Information provided
 - Accessibility
 - Ease of use

OBJECTIVES OF THE STUDY

The primary objective of this study is to identify and understand the factors affecting customer satisfaction with respect to online shopping in India. The Secondary Objectives are:

- To identify product categories for which customers favor online shopping and product categories for which they still abide by the traditional approach.
- To identify features that customers expect at an online shopping portal.
- To identify the different payment and delivery systems preferred by the customers.
- To identify the inhibitions faced by customers during online purchases.
- To identify how these factors interact to influence customer purchase decisions.

Review of Literature

Online shopping, referred to as online retailing or e-tailing, is growing every day in India. According to **eBay India Census (2011)** published on September 28th 2011 at Bangalore, ***Online Shopping is mainstream & a nationwide phenomenon: India had over 3,311 eCommerce hubs across the country.***

In India, traditionally people used internet to compare and evaluate options and went back to traditional approach for the actual purchase. But this trend is changing now. Several factors like the increasing internet awareness and availability, PC penetration etc have caused an increase in online shopping. According to The Times of India's - article on Online Retail Industry published on July 3rd 2011- ***"A booming economy and rising disposable incomes have contributed to the evolution of online shopping," said Associated Chambers of Commerce and Industry of India (ASSOCHAM) Secretary General, D S Rawat.***

According to an article published in The Economic Times about an ASSOCHAM survey dated October 19th 2011, ***"Products like mobile phones, e-tablets, consumer electronics, gift articles, apparel and ornaments are the major attractions for consumers who shop online"***. One of the main reasons why customers prefer online shopping for such products is because of the large variety of these items available in the market. The websites enables customers to search and compare products with ease. Another important reason for the number of online shoppers to constantly multiply is because of 24X7 shopping advantage and the home delivery of products. Shopping websites also provide discounts, vouchers and free gifts to attract customers.

A common misconception is that online shopping is only favored by the customers from the metro cities. But there are several surveys and studies which disprove that belief. An article published in The Economic Times about the growth of E-Commerce in smaller cities in India dated February 5th 2012 states that companies selling products and services online are targeting the non-Metro cities. This article states that among the **3311** Indian cities identified as E-Commerce hubs in the eBay India census 2011, **1267** are non-metro cities. According to this census, while **metros contributed the largest share to online purchases in India in 2011, Tier 2 and Tier 3 cities are catching up fast.**

This article also talks about the different motivating factors that influence online shopping in metro cities and non-metro cities. ***"While consumers in the metros buy products and services mainly because of convenience, those in the non-metros buy due to non-availability of products."*** Big brands cannot afford to open and maintain shops in small cities. Thus these branded items are not available for people living in smaller cities in stores. But online shopping provides a win-win situation for both the customers and the businesses. It is the easiest route for the big brands to cater to the needs of customers from the smaller cities. Increase in the usage of mobile internet is also an important factor which is expected to cause an increase in the online shopping in India as customers will have access to shopping portals at their finger tips.

Thus it is important that we understand factors influencing consumer behavior in this growing industry.

In his book **Electronic Commerce: A Managerial Perspective**, Turban et al. has provided a consumer behavior model in E-Commerce environment. This model categorizes the factors that influence the customers' buying decisions into the following categories.

- Independent Variables
- Intervening or Moderating Variables

- Decision Making Process
- Dependent Variables

The different categories of products that customers are willing to purchase online depend upon the customer perception of risk. Customers perceive a higher degree of risk if the product category is new, or if the perceived value of the product is high. Shiffman et al. in his book Consumer behavior states that *“Studies also found that perceptions of trust and risk were the major determinants’ of consumers’ attitudes toward shopping online and that trust reduced consumers’ perceived risk in the electronic marketplace”*

RESEARCH METHODOLOGY

Descriptive research design adopted to identify and describe customer expectations, influencing variables etc. In Chennai city there are thousands of online customers using online shopping sites for purchasing products. These customers constitute the study population. In the present study, 105 online shopping customers based in Chennai constitute the sample. Judgment sampling technique is used for collecting the data. For conducting this study it is proposed to collect both primary and secondary data. The primary data is collected by administering a structured questionnaire to consumers who use internet for shopping. The questionnaire was circulated in electronic form and was completed by the respondents.

ANALYSIS AND INTERPRETATION

Most of the respondents use the Internet for more than 3 hours per day (46%). The most popular activities for which the respondents use the Internet (based on percentage of responses) are: Browsing, Shopping, Banking, Chatting, Social Networking. A large percentage of the respondents (83%) use the Internet for information search prior to making purchase decisions. The products that the respondents often purchase online (based on percentage of responses) are; Train / Flight Tickets, Movie / Event Tickets, Books / CDs.

Features of shopping portals that the respondents consider most important (based on percentage of responses) are: Payment Options, Product Variety / Availability, Speed & Quality of Delivery, Security and User Friendly Presentation.

Most preferred payment options of the respondents are Cash on Delivery and Internet Banking. Factors that annoy customers the most (based on percentage of responses) while shopping online are failed transactions and insecure payment options. Most frequented shopping portals in India (based on percentage of responses) are; IRCTC, Yatra / MakeMyTrip, TicketNew, FlipKart and EBay.

Majority of the customers are willing to spend more than Rs.1000 for a single online purchase (60%). Almost all the respondents (98%) agree that online shopping helps save time and is convenient. Majority of the respondents agree that it is easier to search for and compare products online. (90% approx.). 41% of the respondents believe that online shopping will supersede traditional shopping eventually.

Majority of the respondents miss the touch and feel of the products while shopping online and they do not like to wait for products to be delivered to them. Respondents below 35 years of age consider themselves more aware of the Internet. This strongly influences their confidence towards online shopping behavior. Respondents in the age group of 25-34 years shop online more often than respondents of other age groups.

Frequency of shopping online is independent of respondents' gender. 60 % of the respondents expect discounts and better deals while shopping online when compared to what is offered at traditional stores. 43% of the respondents hesitate to give out debit / credit card information due to privacy and security issues.

HYPOTHESIS 1

Null Hypothesis H_0 : There is no association between Age group and Internet proficiency.

Alternate Hypothesis H_1 : There is association between Age group and Internet proficiency.

Table 1: Hypothesis 1 Observed Values (O)

Age Group	Internet Proficiency			Total
	Beginner	Intermediate	Advanced	
15-20	0	4	1	5
21-25	2	22	11	35
26-34	2	12	25	39
35-44	1	3	3	7
45+	11	8	0	19
Total	16	49	40	105

Expected Value $E = (\text{Row Total} * \text{Column Total}) / \text{Grand Total}$

The critical value χ^2 at 0.05 level of significance for degree of freedom 8.

Calculated Value	48.572
Degree of Freedom	8
Level of Significance	0.05
Table Value	15.5

Since the calculated value is greater than the table value, the Null Hypothesis H_0 is rejected. Therefore there is association between Age group and internet proficiency.

HYPOTHESIS 2

Null Hypothesis H_0 : There is no association between Age group and the frequency of online shopping.

Alternate Hypothesis H_1 : There is association between Age group and the frequency of online shopping.

Table 2: Hypothesis 2 Observed Values (O)

Age Group	Freq of Online Shopping				Total
	Quite Often	Often	Sometimes	Rarely	
15-20	0	0	5	0	5
21-25	6	4	16	9	35
26-34	10	12	15	2	39
35-44	3	0	4	0	7
45+	0	1	12	6	19
Total	19	17	52	17	105

Expected value $E = (\text{Row Total} * \text{Column Total}) / \text{Grand Total}$

The critical value χ^2 at 0.05 level of significance from the table is 21.026 for degree of freedom 12.

Calculated Value	30.9838
Degree of Freedom	12
Level of Significance	0.05
Table Value	21.026

Since the calculated value is greater than the table value, the Null Hypothesis H_0 is rejected.

Therefore there is association between Age group and the frequency of online shopping.

As in our sample we do not consider respondents who never use online shopping. So we are excluding the 'Never' column from our analysis.

HYPOTHESIS 3

Null Hypothesis H_0 : There is no association between Gender and the frequency of online shopping.

Alternate Hypothesis H_1 : There is association between Gender and the frequency of online shopping.

Table 3: Hypothesis 3 Observed Values (O)

Gender	Freq of Online Shopping				Total
	Quite Often	Often	Sometimes	Rarely	
Male	11	11	22	5	49
Female	8	6	30	12	56
Total	19	17	52	17	105

Expected value E = (Row Total * Column Total) / Grand Total

The critical value χ^2 at 0.05 level of significance from the table is 7.815 for degree of freedom 3.

Calculated Value	5.616
Degree of Freedom	3
Level of Significance	0.05
Table Value	7.815

Since the table value is greater than the calculated value, the Null Hypothesis H_0 is accepted. Therefore there is no association between gender and the frequency of online shopping.

As in our sample we do not consider respondents who never use online shopping. So we are excluding the 'Never' column from our analysis.

HYPOTHESIS 4

Null Hypothesis H_0 : There is no association between Annual Income and the preferred Payment option.

Alternate Hypothesis H_1 : There is association between Annual Income and the preferred Payment option.

Table 4: Hypothesis 4 Observed Values (O)

Annual Income in Rs.	Preferred Payment Option				Total
	Cash on Delivery	Debit Cards	Credit Cards	Internet Banking	
Dependent / Pocket Money	12	0	1	2	15
Less than 1 Lakh	1	0	2	3	7
1-2 Lakhs	6	0	3	6	15
2-5 Lakhs	10	1	10	13	33
More than 5 Lakhs	7	2	12	14	35
Total	36	3	28	38	105

Expected value E = (Row Total * Column Total) / Grand Total

The critical value χ^2 at 0.05 level of significance from the table is 21.026 for degree of freedom 12.

Calculated Value	20.394
Degree of Freedom	12
Level of Significance	0.05
Table Value	21.026

Since the table value is greater than the calculated value, the Null Hypothesis H_0 is accepted.

Therefore there is no association between annual income and the payment options.

CONCLUSIONS AND SUMMARY

The findings and results reflect the perceptions, preferences and factors influencing satisfaction of online shoppers in Chennai City. The results indicate that the respondents are becoming more internet savvy every day. As they become more confident they are ready to buy high value products online as well. Businesses venturing into or expanding into the online market need to reduce the customer perceived risks by making shopping portals easier to navigate, providing secure payment options as per norms, ensuring speed and quality of delivery to gain and maintain customer trust, better presentation and categorization to make up for the missing touch and feel experience etc.

Efforts need to be taken to educate the online buyers on the steps that need to be undertaken while making an online purchase. Moreover, the feedback of an online buyer should be captured to identify flaws in service delivery. This can be done through online communities and blogs that serve as advertising and marketing tools and a source of feedback for enterprises.

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